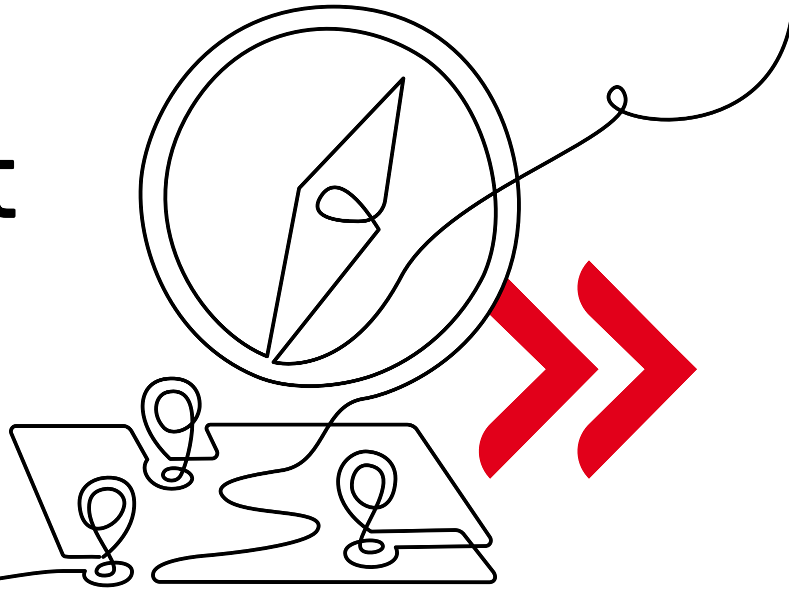
The Investment Institute
by UniCredit

The Checkpoint

11 March 2026



The fallout of the Iran war

In 2002, US Secretary of State Colin Powell warned President George W. Bush that toppling Saddam Hussein would leave the US responsible for what came next – a warning that became known as the Pottery Barn rule: “If you break it, you own it.” President Donald Trump, elected on a promise to end America’s forever wars, has signalled from the outset of Operation "Epic Fury" that he intends to overturn Powell’s dictum: the US will not own the aftermath of the war against Teheran.

This lack of commitment rules out, at least in theory, a repeat of the Iraq or Afghanistan quagmires. But it also increases uncertainty in financial markets regarding what could end the war. The military goals of the war are unclear: is it just about leadership change and the degradation of Iran’s military capabilities? Or the collapse of the ayatollah regime? This uncertainty is amplified by the diverging interests of the two key actors, Israel and the US.

Washington wanted a quick victory, while Israel sought a total one. The US was prepared to accept a Venezuela-style transition that replaced Iran’s leadership without necessarily toppling the regime – an outcome less costly and less unpredictable than full regime change. Israel, by contrast, aims for the regime’s collapse – a scenario likely to trigger civil war given Iran’s ethnic diversity (Persians, Azeris, Kurds, Turkmen and others).

If Venezuela is Trump’s blueprint, Israeli Prime Minister Benjamin Netanyahu’s model is Syria – where a decade of civil war ultimately improved Israel’s security by eliminating a major Arab state focused on confronting it. However, the appointment of Mojtaba Khamenei as Iran’s new supreme leader makes the interests of the two countries converge.

Given the recent chaos in financial markets, the Trump administration is now looking for a relatively quick exit strategy that can nonetheless increase its leverage in the strategic chess play with China. In our baseline scenario, the war will last a few more weeks, with negligible consequences for growth and inflation. For markets, this means the main drivers remain USD softness, solid earnings growth and range-bound government bond yields.

Even if Trump managed to end the war, he should remember the words of former US Secretary of Defence, Jim Mattis: “No war is over until the enemy says it’s over.” If oil and natural gas prices stabilized at substantially higher levels in the case of a prolonged war, both the Fed and the ECB will find themselves in the uncomfortable situation of dealing with slowing economies, rising inflation and unsettled markets.

Manuela D’Onofrio
Chair of
The Investment Institute

Fabio Petti
Co-Chair of
The Investment Institute

Edoardo Campanella
Director and Chief Editor of
The Investment Institute

UniCredit

View from the CIOs

Alessandro Caviglia (Italy), **Philip Gisdakis** (Germany), **Jakob Frauenschuh** (Austria)

Operation "Epic Fury" injected a significant dose of volatility into financial markets. In the aftermath, oil and gas prices spiked as the important Strait of Hormuz is essentially closed, and Iran's attack on Gulf states triggered concerns about substantial disruptions to key infrastructure in the region including oil and gas facilities, industrial sites, airports, and more. Rising energy prices have fuelled worries about renewed inflationary pressures that could constrain central banks' ability to cut interest rates or even force them to tighten monetary conditions. Therefore, bond yields rose, equity markets declined, and the USD strengthened, reflecting its status as a safe haven. Gold initially rallied as well but later gave up most of its gains due to USD strength.

In equity markets, Asian indices were hit hardest, given the region's direct dependence on oil deliveries from the Gulf. European stocks also came under pressure. While Europe has limited direct dependence on energy imports from the region, as a net energy importer it remains exposed to rising energy costs. US markets were least affected, as the US is a net energy exporter. Importantly, these market reactions reflect rational price behaviour, and the continued role of the USD as a global safe asset is reassuring. A crisis of confidence in the global safe haven, on top of already heightened volatility, would have posed an additional challenge for investors.

However, the key developments (rising oil prices, potential inflation pressure with implications for expected Fed rate cuts, and a stronger USD) run counter to trends perceived as priorities for the current US administration. In addition, the fact that Asian economies may be the most adversely affected challenges a previously popular investment strategy: shifting exposure from the US toward Asia and emerging markets. While such positioning might have been reasonable before Operation Epic Fury, the latest developments justify a more cautious stance for now. Therefore, we maintain our overall neutral stance on risky assets. Most importantly, we continue to focus on making our portfolios resilient to potential further shocks by ensuring broad diversification across regions, sectors, and asset classes.

ASSET ALLOCATION

OUR INVESTMENT VIEW ON ASSET CLASSES

	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
Global equities		●	
US equities		●	
European equities		●	
Pacific equities (developed markets[1])		●	
Emerging-market equities			●
Global bonds		●	
Government bonds (EMU)	●		
Government bonds (N-EMU)	●		
Corporate bonds (EUR-denominated investment-grade)		●	
Corporate bonds (high-yield)	●		
Emerging-market bonds (hard currency)			●
Emerging-market bonds (local currency)			●
Money markets		●	
Alternatives		●	
Bitcoin		●	
Commodities		●	
Oil		●	
Gold		●	

1. Developed markets: Australia, Japan, Hong Kong, New Zealand, Singapore

Authors: Marco Valli and Daniel Richard Vernazza

Macro outlook after Iran shock

We have updated our macroeconomic projections for the US and the eurozone considering the US-Israeli strikes on Iran, Tehran's retaliation, and the surge in global energy prices. Our new baseline envisages that military operations in the Gulf region will not last long, probably a few weeks. Oil and natural gas prices would soon start to decline from the recent highs.

We expect little, if any, impact on the US growth outlook given the US is a net exporter of energy. In a broadly-zero-sum game, US energy producers are likely to gain from higher global energy prices, while non-energy producers and consumers will be worse off due to increased production costs and inflation. Overall, our GDP growth forecast remains unchanged at 2.4% for this year and 2.0% for 2027. Consumer price inflation will probably rise moderately, by around 0.3pp, with the shock set to fade quickly after a year. We still think the central bank will cut rates once this year, in June.

In the eurozone, the hit to GDP growth is likely to be modest, reducing our forecast to 0.9% for 2026 and 1.3% for 2027. The eurozone economy has proved more resilient than expected to the tariff shock and we expect such resilience to continue, supported by expansionary fiscal policy, solid private-sector balance sheets and an investment recovery that looks increasingly well entrenched. Our 2026 inflation forecast rises from just below 2% to about 2.5%, but this should be temporary. We expect the ECB to look through the energy-price shock, given that inflation expectations are likely to remain in check. We confirm our view that the ECB's next move will be a hike in late 2027, while for this year the balance of risks has shifted from additional easing to a possible rate hike.

What if we are wrong: an adverse scenario

In an adverse scenario, we assume an escalation and a lengthening of the duration of the war. Oil and gas prices reach USD 100/bbl and EUR 100/MWh, respectively, and stabilise at these levels for the rest of the year before gradually easing in 2027. A tightening of financial conditions and loss of confidence amplify the hit to growth.

The US economy would likely see a sharp rise in inflation of more than 1pp at its peak within a year, pushing the average inflation rate to 3.6% for this year and to 2.9% for 2027. The cumulative impact on GDP growth is likely to be modest, about -0.4 to -0.6pp through end-2027 – taking growth down to a still-solid 2% in 2026 and slightly below this in 2027. One of the main risks here would be a major sell-off in tech stocks, given their high valuations and intensive energy usage. This would have repercussions for AI-related investment – a big source of US growth in 2025 – and wealth effects.

In the eurozone, inflation would rise strongly, hovering in the 3.5-4% area for most of the next twelve months before embarking on a steep downward trend that takes it below the ECB's target by the end of 2027. The average inflation rate would exceed 3% in 2026 and remain north of 2.5% in 2027. On the growth front, economic activity might stagnate or shrink slightly in 2H26 before recovering slowly next year. Overall, GDP growth for 2026-27 would decline by a cumulative 0.8-1.0pp, to an average of 0.7-0.8% for both years, as private consumption shrinks while investment weakens materially. If financial conditions tighten particularly strongly and supply chains suffer major disruption, the negative growth shock might be even larger.

The Fed and the ECB would face an uncomfortable trade-off as growth weakens while inflation accelerates away from their targets. Whether they are forced to hike interest rates, thus further dampening activity, would depend a lot on the development of longer-run inflation expectations.

FOCUS 1

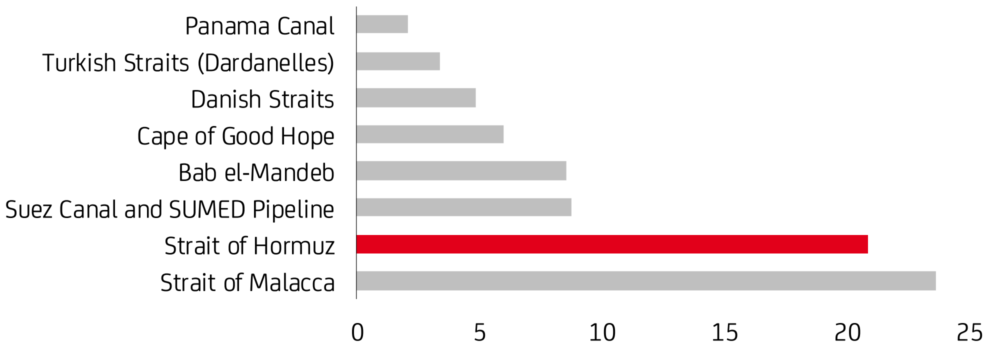
Hormuz at a standstill

Authors: Tobias Keller, Jonathan Schroer

The eruption of war against Iran has turned the Strait of Hormuz into the world's most acute energy chokepoint. Since late February, the passage has become de facto closed, with tanker movements collapsing after a wave of missile, drone and unmanned-vessel attacks, and a systematic attempt by Iran to deny commercial access. The shutdown has been reinforced by the suspension of transits by major shipping lines and the effective withdrawal of insurance coverage for vessels entering the Gulf. Until the end of February, the strait carried more than twenty million barrels of crude and petroleum liquids per day (see chart 1.1). That flow has now contracted to a trickle: only a handful of ships managed to exit in the immediate aftermath of the escalation. As Iran asserted "complete control" over the Strait of Hormuz, Washington signalled that the US Navy may soon escort commercial tankers through the chokepoint to safeguard energy flows.

CHART 1.1: VOLUME OF CRUDE OIL AND PETROLEUM LIQUIDS TRANSPORTED THROUGH MAJOR MARITIME CHOKEPOINTS

MILLION BARRELS PER DAY



Source: US EIA, Vortexa tanker tracking and Panama Canal Authority, The Investment Institute by UniCredit
Note: World maritime oil trade excludes intra-country volumes except those volumes that transit global chokepoints and the Cape of Good Hope; Danish Straits do not include flows through the Kiel Canal.

A similar pattern is unfolding in gas markets. Around a fifth of global LNG supply – overwhelmingly from Qatar – normally moves through the strait, but exports have ceased following the shutdown of Qatar's Ras Laffan complex after drone strikes. Asia, which depends heavily on Qatari LNG, will bear the brunt of the disruption as it takes around 80% of LNG production from the region. Alternatives exist but offer limited relief.

Saudi Arabia's Petroline and the UAE's Fujairah pipeline provide some bypass capacity but their remaining spare capacity covers only a sliver of the crude and virtually none of the refined products normally shipped through the strait. LNG has no meaningful workaround: Qatar's exports depend almost entirely on Ras Laffan and lack a pipeline outlet. Other regional pipelines, such as Iraq's routes to Turkey, are either constrained or intermittently offline. Beyond limited rerouting from the Atlantic Basin or short-term releases from strategic reserves, there is no scalable substitute for the volumes that usually move through the strait.

The crucial question is therefore how quickly – and under what conditions – the strait can be stabilised. For now, our baseline remains that the disruption will not prove prolonged. A concerted US-led naval effort, coupled with the strong incentive of Gulf producers (including Iran) to restore export routes, should gradually reopen the corridor, even if at reduced capacity and under heightened security protocols. But even if navigation resumes in the coming weeks, the price premium related to lower Gulf supply is unlikely to fade immediately, as Iran is expected to remain politically unstable for some time. This reinforces the case for higher buffer inventories, more diversified sourcing and renewed investment in energy security across consuming nations.

FOCUS 2

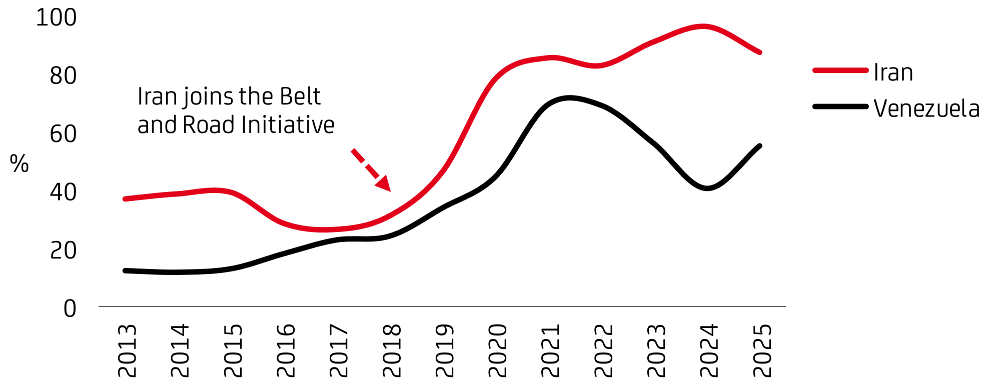
Geoeconomic roots of the war against Iran

Author: Stefan Kolek

While the US administration remains vague about what it aims to achieve by its attack on Iran, it would be reasonable to assume that the reasons are rooted in regional geoeconomics, particularly in the long-term US objective to contain China. The relationship between China and Iran has improved since 2019, when Tehran became part of the Belt and Road Initiative. Since then, as the chart below shows, Iranian oil exports to China have surged, and now make up almost 90% of Iranian oil exports. This compares to almost 60% of Venezuela's oil going to China. At around 4mb/d, Iran is among the largest oil producers globally and its reserves, which amount to 209bn barrels, rank third in the world. In this context, in the event of regime change – which looks very unlikely at this stage – control over the country's oil and gas production would support the US petrodollar regime at a time when many countries in the global South trade commodities in local currencies.

CHART 1.2: CHINA BECAME A KEY CLIENT TO IRAN'S OIL INDUSTRY WHEN THE COUNTRY JOINED THE BELT AND ROAD INITIATIVE

SHARE OF IRANIAN AND VENEZUELAN OIL PRODUCTION EXPORTED TO CHINA



Source: Politico, KplerParoma Soni, The Investment Institute by UniCredit

A BRICS member since 2024, Iran's geography also makes it crucial to China: located between the Indian Ocean and Russia, and between the Arabian Peninsula and China, the country plays a bridge role on the Eurasian continent within the Belt and Road Initiative. The 12-day war occurred shortly after a direct railway corridor between China and Iran was inaugurated. On May 25, 2025, the first freight train from Xi'an – one of China's main technology and research centres – arrived at the Aprin dry port 5,300 km away. The route significantly reduces transit times (from 30–40 days by sea to around 15 days) and transportation costs, while providing an alternative to maritime routes through bottlenecks such as the Suez Canal, the Strait of Malacca and the Strait of Hormuz, and also helping circumvent Western sanctions on Iran.

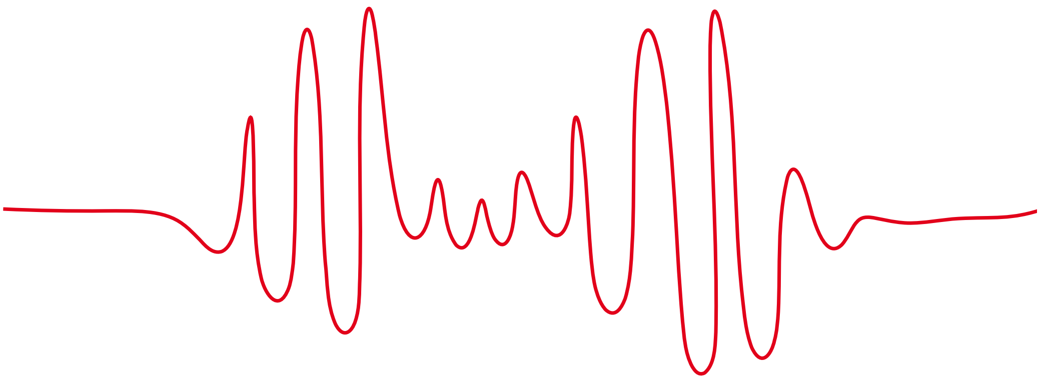
Moreover, this China-Iran railway corridor links the International North-South Transport Corridor (a ship, rail and road route connecting India, Iran, Russia and Central Asia) and represents a potential alternative to the India-Middle East-Europe Corridor, aimed at connecting India with Europe through the UAE, Saudi Arabia, Israel and Greece. Notably, these developments come ahead of the meeting between Presidents Xi and Trump on 31 March, at a time when reports suggest China is tightening export restrictions on shipments of some key rare earths to the US.

Market Stories

Authors: Luca Cazzulani, Tobias Keller, Stefan Kolek, Roberto Mialich, Jonathan Schroer, Christian Stocker, Thomas Strobel, Michael Teig

The noise ...

Markets are trading through elevated geopolitical risk as the Iran conflict drives short-term volatility across assets. Equities are reacting most visibly: higher oil and gas prices are putting pressure on margins and prompting a rotation out of energy-sensitive regions such as Europe and emerging markets (EM). On the commodity side, Brent has tested multi-year highs as tanker risks rise and the Strait of Hormuz remains disrupted. The tech space remains uneven, with investors reassessing earnings durability as AI-linked business models evolve and valuation spreads widen. Rates markets have shifted back towards inflation concerns. Sovereign yields are repricing higher as markets scale back expectations for rapid easing, and carry trades have been trimmed amid the risk of an energy-driven inflation shock. In FX, classic risk-off dynamics dominate. The USD is supported by safe-haven demand, driving EUR-USD lower, while USD-JPY adds tactical noise, reflecting short-term swings driven by policy divergence. Gold has also firmed, adding another layer of cross-asset volatility.



... and the signal

Beyond the initial turmoil, markets are refocusing on fundamentals across equities, fixed income, FX and commodities. In equities, earnings growth remains the anchor: the US benefits from solid profit expectations and AI-driven capex, Europe from fiscal and defence spending, and EM from broad global demand. In fixed income, inflation expectations remain contained, and the base case still assumes no prolonged energy-supply disruption, allowing rates volatility to moderate over time. In commodities, the geopolitical premium in oil is expected to fade gradually as supply remains resilient and naval-escort measures should help normalise tanker flows. In FX, the medium-term outlook for EUR-USD remains moderately constructive. Structural drivers of USD softness (policy uncertainty, slower cyclical momentum and a less aggressive Fed path) support a gradual normalisation once safe-haven premiums unwind. Across markets, fundamentals such as earnings resilience, contained inflation and stable policy trajectories continue to outweigh short-term geopolitical noise.

Equities

War in the Middle East does not materially change our outlook

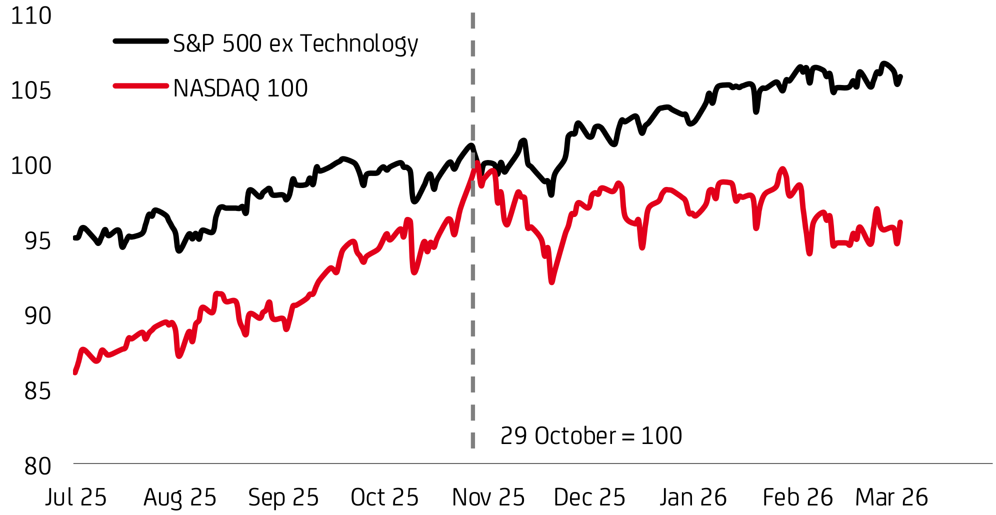
The war against Iran is not just a regional conflict but a global economic risk event, with energy markets acting as the main transmission channel. Rising oil and gas prices have driven market volatility and contributed significantly to sharp declines in European and EM equities. Higher energy costs are squeezing corporate margins – especially in energy-intensive and consumer-related sectors – while also reinforcing inflationary pressure. In the early phase of the conflict, the US equity market held up relatively well. Its resilience reflects the country's high degree of energy self-sufficiency. In contrast, Europe and EM, both heavily reliant on imported oil and gas, have come under pronounced pressure.

In the current environment of heightened uncertainty due to tension in the Middle East, we focus primarily on two scenarios in terms of stock market developments (see our *Short View, Macro outlook revisions after Iran war shock*, 5 March). In our **baseline scenario** (military operations in the Gulf region will not last long, probably a few weeks), we believe that the trends that have developed since the end of October will continue in the medium term, despite having temporarily receded into the background amid the war in Iran. This means that among the global regions, we expect EM still offers the highest performance potential. By contrast, the US equity market is likely to remain divided (see chart 2.1) – mainly due to the recent uncertainties regarding the technology sector (see also below): the US equity market excluding technology should develop positively. For Europe, we also expect momentum to remain positive in this scenario, although significantly weaker than for EM. We are keeping our 2026 year-end targets unchanged.

In an **adverse scenario** – a further escalation and a prolonged war, which we still regard as very unlikely – in which Iran manages to interrupt or materially curb oil and gas deliveries for an extended period, we would expect temporary setbacks in equity markets, particularly in EM and Europe. Depending on the duration of the disruption, prices could briefly retreat toward the levels last seen in September 2025.

CHART 2.1: CONSTRUCTIVE STOCK-MARKET ENVIRONMENT REMAINS INTACT

THE UNDERLYING TREND IN THE US REMAINS POSITIVE, PRESSURE COMES FROM TECHNOLOGY



Source: LSEG Datastream, The Investment Institute by UniCredit

The **AI narrative** still cuts both ways: it lifts innovation and earnings potential but also fuels fears of excessive valuation. Since late last year, concerns about disruptive dynamics in the tech sector have intensified. This is particularly evident in software, where new AI applications are challenging parts of existing business models. As a result, the technology sector is no longer viewed as a homogeneous block but as one showing increasingly selective and difficult-to-quantify developments. At the same time, semiconductor demand remains strong, supporting hardware and chip producers, even as data-centre power and grid constraints emerge as potential bottlenecks for the next phase of AI growth. Meanwhile, AI-driven investment is beginning to spill over into other sectors, notably materials and industrials, underpinned by substantial capex from AI-focused companies.

For the **US stock market**, we expect that 2026 returns will be driven primarily by fundamental profit growth – around 14% for the S&P 500 – rather than further multiple expansion. AI-related productivity gains in the tech sector should remain an important support. Robust capital expenditure could lift profits and help push the S&P 500 towards 7,500 by year-end. That said, we anticipate higher volatility than in 2025, reflecting elevated geopolitical risks stretched valuations, potential swings in Fed policy and the risk of enthusiasm for AI cooling further.

The outlook for **European equities** is more moderate. We expect the Euro STOXX 50 to reach around 6,200 this year, supported by earnings growth of roughly 12%. Germany's fiscal measures, higher defence spending across Europe and strong commodity demand linked to AI-driven infrastructure investment should benefit the materials, machinery, transport, logistics and technology sectors. However, persistent geopolitical tensions – especially the war in the Middle East and Europe's resulting exposure to higher energy prices – could weigh on growth. Moreover, Europe faces a dense political calendar in 2026 that may generate bouts of volatility. We view consensus earnings expectations for 2026 as somewhat optimistic and vulnerable to export-related risks. We therefore take a more conservative stance and project earnings growth of about 8%. AI plays a smaller role in Europe, where valuations remain attractive relative to the US, but structural productivity gaps persist.

In our base case, we expect another solid year for EM equities and forecast a gain of around 15% for the MSCI EM Index in 2026. This outlook is supported by a favourable global macro backdrop, strong AI-related demand benefiting tech-oriented EM markets, and broad geographical diversification – all of which underpin our robust 19% earnings-growth forecast for 2026. Key risks include growth or policy shocks from the US or China, as well as renewed concerns about an AI-driven bubble. The war against Iran adds an additional layer of uncertainty, as EM economies are structurally more exposed to disruptions in Gulf energy flows and a firmer US dollar. A sustained period of US-dollar strength (which is not our base-case assumption) would also pose a challenge for EM.

Fixed Income

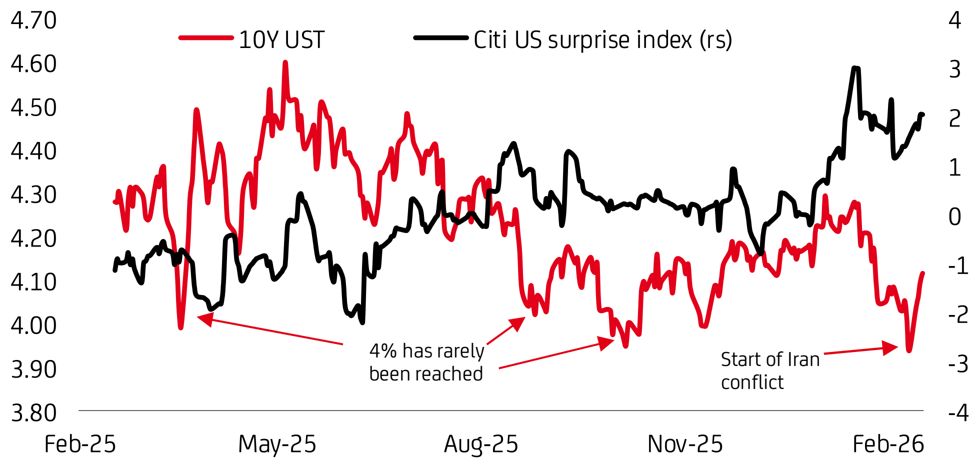
Iran conflict has refocused investors on inflation

The Iran conflict shifted investor focus from AI-related disruption risks back to inflation. In February, 10Y Bund and UST yields fell 20-30bp as curves flattened on concerns that AI could weigh on parts of the economy and raise structural unemployment. After the conflict broke out, rising oil and gas prices revived inflation fears, pushing sovereign yields higher as investors reassessed the risk of a Ukraine-style shock. This has put upward pressure on sovereign yields.

A few points are worth mentioning. **1.** Government bonds, USTs in particular, did not behave as safe havens. Yields rose because investors scaled back rate cut expectations. Reallocation from equities into government bonds was only marginal due to inflation risk and because the supply of public debt is high. **2.** Investors are attributing a large probability to a relatively fast resolution of the conflict, with little permanent impact on oil and gas supply. This is reflected in the only moderate rise in market-based inflation expectations, which remain contained overall. **3.** Risk aversion has weighed negatively on carry trades. The underperformance, however, has not been dramatic.

CHART 2.2: 10Y UST YIELDS REBOUNDED AFTER THE START OF THE CONFLICT IN IRAN

10Y UST YIELD, US ECONOMIC SURPRISE INDEX (RS)



Source: Bloomberg, The Investment Institute by UniCredit

Given the very high uncertainty, markets are treading water. Going forward, our baseline is that the conflict will have a limited duration and breadth. In this context, we expect rates volatility to diminish and appetite for carry to resume. We do not see 10Y yields declining. In the US, the economy is robust, and we see room for a Fed cut as being more limited than markets are discounting. In the eurozone, 10Y Bund yields are also low considering the push for more public spending. In our risk scenario, the conflict has deeper impact on energy prices, leading to accelerating inflation. In this scenario, we would expect government bond yields to rise more substantially. The tension regarding energy prices would be negative for carry appetite.

Corporate credit: no systemic risk in sight

The start of the US-Israel war against Iran shaved off a large part of the initial gains European credit made earlier this year. Amid the related flight to quality, SSAs, together with investment grade corporates, have outperformed, while hybrids and high yield credit underperformed, eliminating the latter's YTD gains. Given its still solid credit quality, characterised by still-limited leverage and conservative financial policies, we see European corporate credit remaining resilient if the war is short. Also, the share of Middle East issuers in iBoxx corporate indices is negligible, at just 1.7% in the HY NFI index and less than 1% in the IG NFI and Banks indices.

However, a long conflict leading to higher energy costs in Europe clearly poses downside risk for the asset class, as this would cause credit metrics to rapidly deteriorate and risk-off sentiment would lead investors to leave the asset class. As such, the YTD reaction in credit markets described above is likely to deepen, with high-beta credit, including high yield (where around 45% of CCC rated corporate issues are trading at distressed levels [cash price below 70]), underperforming. While elevated volatility is on the cards in the short term, our base scenario continues to see European credit risk premiums close to current levels by the end of the year, iBoxx IG Banks and NFI seniors at 80bp and 85bp, respectively, NFI hybrids at 160bp and HY at 300bp.

FX

EUR-USD: Middle East tension not a game changer for the USD

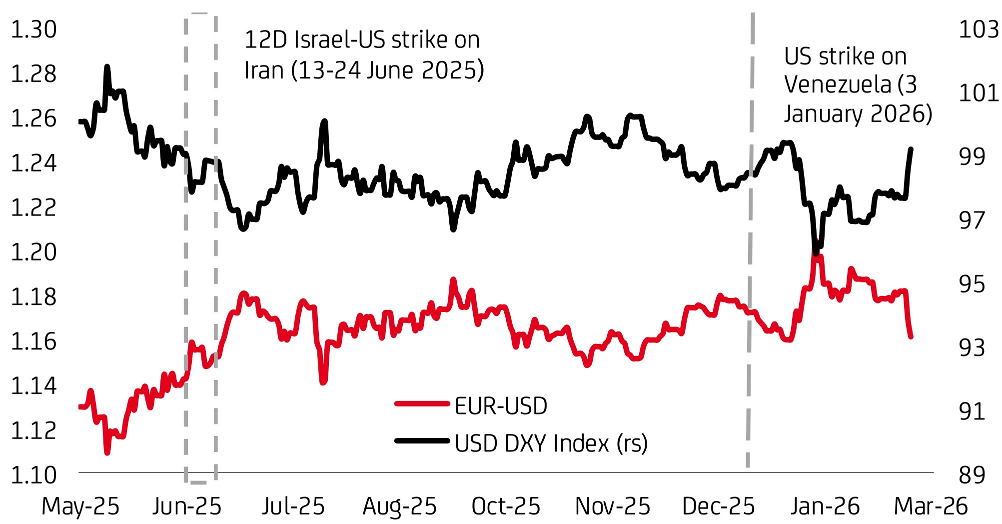
In **FX**, increasing geopolitical risk in the Middle East might help the USD outperform the JPY and the CHF as a safe-haven currency, and weigh on the EUR in the near term. Yet, the rise strengthening of the greenback will likely depend on the length and scope of the conflict, as well as its implications for the US economy. During the 12-day Israel-US military operation against Iran last year (13-24 June), EUR-USD lost just 1.4% while the US dollar index (DXY) gained roughly 1.8%. Then, these gains were absorbed as investors returned to focus on US President Donald Trump's economic policies (see chart below). In these early days of the US-Iran strike on Iran, the DXY has already gained more than during the 12-day conflict and EUR-USD has fallen towards the key 1.15 level.

That said, unless the crisis deepens, reinforcing the role of the USD as safe-haven currency, we remain moderately bullish EUR-USD, as factors behind the weakening of the greenback persist. They include uncertainty regarding the US economy, Trump's trade policies and expectations of the Fed's next moves. The recent US Supreme Court decision on tariffs could also push the US administration to favour a weaker currency to help US exports ahead of US mid-term election in November. The ECB, on the other hand, was not concerned about EUR strength, as ECB President Christine Lagarde signalled in her latest press conference. Nonetheless, a rally towards the YTD high of 1.2041 or beyond has become even more complicated, especially if EUR-USD finds a floor below 1.15. A sharp rebound of this pair would require a heavy deterioration of the US economy or the Fed cutting rates by more than the single further reduction we expect in June.

At the same time, USD-JPY might still play an important role in shaping EUR-USD performance (see our *Coffee Break – Spillover effects in FX: USD-JPY could remain a key driver for EUR-USD*, 25 February). This already happened in January amid possible joint Fed and BoJ intervention on USD-JPY and, to a lesser extent, in February, following the landslide victory of Japanese Prime Minister Sanae Takaichi in a snap election. Yet, for another strong spillover effect to emerge that can lift EUR-USD above 1.18, USD-JPY would likely have to re-test the 155-152 area.

CHART 2.3: GEOPOLITICAL RISK IS UNLIKELY TO OFFER THE USD A LASTING SUPPORT

EUR-USD AND THE USD DOLLAR INDEX (DXY)



Source: LSEG, The Investment Institute by UniCredit

Commodities

Crude oil

Following the outbreak of war between Israel and the US against Iran, Brent is now trading in the low-to-mid USD 80/bbl range, reflecting a sharp increase over the past month. Against the backdrop of acute disruption but still-resilient global supply, our 2026 view for Brent crude remains constructively cautious. The geopolitical premium is elevated yet not at unprecedented levels, and past crises suggest that markets tend to stabilise once immediate supply threats begin to recede – most notably a longer-than-expected closure of the Strait of Hormuz (see Focus 1) or lasting damage to Gulf energy infrastructure – but the modal outlook is more balanced: we expect hostilities to ease relatively quickly.

Nevertheless, a moderating but persistent geopolitical premium is likely to persist, shaped by uncertainty around Iran's post-war stability, intermittent concerns over tanker security and vulnerabilities along key Gulf export routes. These pressures should be partially offset by robust supply growth outside the region and comparatively high global inventories. As the year progresses, geopolitical pressures should continue to diminish, particularly if the US and regional partners move ahead with plans to expand naval escort operations to secure shipping lanes. As these measures take effect, we expect risk premiums to unwind and Brent to drift toward **USD 70/bbl** in the course of 2026.

Natural gas

The benchmark European natural gas price (TTF) surged by 70% to EUR 54/MWh in the first two trading days after the conflict in Iran started. Pricing remains volatile and is driven by speculation on the duration of the conflict and the potential damage to energy infrastructure. We are currently expecting tensions to calm relatively soon, as all parties have clear incentives to prevent the conflict from becoming entrenched. We have raised our TTF forecast for the year from EUR 30-35/MWh to **EUR 40/MWh**, with steady easing toward EUR 35/MWh by the end of the year. Nevertheless, the timing of the conflict is unfortunate for Europe, as it comes right as the summer restocking period is set to start. Inventories are severely depleted after a relatively cold winter with reserves at 30%, which is the lowest level since the decision in 2022 to stop importing Russian pipeline gas. Therefore, not only does the restocking season coincide with constricted supplies of LNG globally, but the price level is expected to be much higher than it was at the start of the year, when the implications of the cold winter were already being factored in. The TTF price trend in 2Q and 3Q and LNG supply availability will therefore be nervously watched in the coming months.

Gold

Gold has extended its strong start to the year, recently trading around USD 5,200/oz, as safe-haven demand has strengthened amid the escalating US-Iran conflict. Robust central-bank buying, continued ETF inflows and only marginal shifts in real yields are helping to anchor the market despite already elevated price levels. With a significant geopolitical premium now priced in and little indication of de-escalation, near-term volatility may remain elevated. However, the broader backdrop remains constructive. We therefore maintain our positive outlook for 2026 and expect gold to trade within a range of **USD 4,800-5,400/oz.** The lower bound reflects the potential for a temporary correction should geopolitical tensions ease, while risks remain skewed to the upside if tensions in the Middle East persist or intensify further.

Forecast Tables

UniCredit Forecasts

GDP, CPI AND BUDGET BALANCE FORECASTS

	Real GDP (% Y/Y)			Consumer prices (% Y/Y)			Budget balance (% of GDP)		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Global	**3.2**	**3.1**	**3.2**	-	-	-	-	-	-
US	**2.2**	**2.4**	**2.0**	**2.7**	**3.0**	**2.6**	**-7.4**	**-7.9**	**-8.0**
Eurozone	**1.5**	**0.9**	**1.3**	**2.1**	**2.5**	**2.0**	**-3.4**	**-3.7**	**-3.6**
Germany	0.2*	1.0*	1.8*	2.2	2.1	2.0	-2.7	-4.3	-4.3
France	0.9	1.0	1.1	0.9	1.5	1.2	-5.4	-5.0	-4.6
Italy	0.7	0.5	0.7	1.5	2.5**	1.7**	-3.1	-2.9	-2.7
Spain	2.8	2.2	1.7	2.7	2.4	2.1	-2.5	-2.1	-2.2
UK	**1.3**	**0.8**	**1.1**	**3.4**	**2.8**	**2.0**	**-4.5**	**-3.8**	**-3.5**
China	5.0	4.0	3.8	-0.2	0.9	1.0	-8.6	-8.0	-8.0
Japan	1.0	0.8	0.8	3.0	2.1	2.0	-3.1	-4.0	-3.8
India	**7.3**	**6.4**	**6.4**	**2.8**	**4.0**	**4.0**	**-7.2**	**-7.1**	**-6.9**

Source: The Investment Institute by UniCredit
*Non-wda figures. Adjusted for working days: 0.4% (2025), 0.7% (2026) and 1.7% (2027)
**Italy's CPI inflation forecasts remain subject to further revision, as the transition to a new inflation time series is still being finalized by Istat.

CENTRAL BANKS WATCH

	Current	1Q26	2Q26	3Q26	4Q26	1Q27
Fed	3.75	3.75	3.50	3.50	3.50	3.50
ECB	2.00	2.00	2.00	2.00	2.00	2.00
BOE	3.75	3.75	3.50	3.25	3.00	2.75
BoJ	0.75	0.75	1.00	1.00	1.25	1.25
Riksbank	1.75	1.75	1.75	1.75	1.75	1.75
Norges Bank	4.00	3.50	3.50	3.50	3.50	3.50

Source: The Investment Institute by UniCredit
Note: Figures are end-of-period

INTEREST RATE AND YIELD FORECASTS

	9.03.26	2Q26	3Q26	4Q26
Eurozone				
Depo rate	2.00	2.00	2.00	2.00
3M Euribor	2.08	2.00	2.00	2.00
2Y Schatz	2.32	2.10	2.10	2.10
10Y Bund	2.86	2.80	2.85	2.90
2Y EUR swap	2.51	2.25	2.25	2.25
10Y EUR swap	2.90	2.85	2.90	2.95
10Y swap-Bund spread	4	5	5	5
2Y BTP	2.55	2.25	2.25	2.25
10Y BTP	3.61	3.40	3.45	3.50
10Y BTP-Bund spread	75	60	60	60
US				
Fed fund rate	3.75	3.50	3.50	3.50
3M OIS SOFR	3.68	3.35	3.35	3.35
2Y UST	3.59	3.70	3.65	3.65
10Y UST	4.13	4.25	4.25	4.30
10Y UST-Bund spread	127	145	140	140

FX FORECASTS

	9.03.26	2Q26	3Q26	4Q26
EUR-USD	1.15	1.19	1.20	1.20
USD-JPY	158	153	152	150
EUR-JPY	183	182	182	180
GBP-USD	1.33	1.35	1.34	1.33
EUR-GBP	0.87	0.88	0.90	0.90
USD-CNY	6.92	6.88	6.87	6.85
EUR-CNY	7.99	8.19	8.24	8.22

Source: LSEG, The Investment Institute by UniCredit

RISKY ASSETS FORECASTS

	9.03.26	Mid-2026	End-2026
Oil			
Brent USD/bbl.	99	75	70
Equities			
Euro STOXX 50	5,685	6,050	6,200
STOXX Europe 600	595	635	650
DAX	23,409	25,000	26,500
MSCI Italy	115	122	127
S&P 500	6,796	7,100	7,500
Nasdaq 100	24,967	26,000	27,000
Credit			
iBoxx Non-Financials Senior	78	75	85
iBoxx Banks Senior	76	70	80
iBoxx High Yield NFI	285	275	300

Source: Bloomberg, S&P Global, The Investment Institute by UniCredit

For detailed forecast tables click the following links:
Economics > | **FI >** | **FX >** | **Risky Assets >**

Development of selected financial market indices

From To	7/3/2025 9/3/2026	9/3/2021 9/3/2022	9/3/2022 9/3/2023	9/3/2023 9/3/2024	9/3/2024 9/3/2025	9/3/2025 9/3/2026	9/3/2021 9/3/2026
STOCK MARKET INDICES (TOTAL RETURN, IN %)							
MSCI World (in USD)	20.2	6.2	-4.5	28.3	12.3	20.2	78.7
MSCI Emerging Markets (in USD)	32.4	-15.2	-8.3	10.4	12.8	32.4	28.4
MSCI US (in USD)	19.1	10.2	-7.5	33.3	13.3	19.1	87.7
MSCI Europe (in EUR)	10.7	7.2	9.8	13.2	13.3	10.7	68.2
MSCI AC Asia Pacific (in USD)	28.5	-14.5	-3.5	14.2	9.6	28.5	32.6
STOXX Europe 600 (in EUR)	11.0	6.1	9.3	13.1	13.5	11.0	66.4
DAX 40 (Germany, in EUR)	1.7	-4.1	12.9	14.0	29.0	1.7	62.8
MSCI Italy (in EUR)	19.9	2.8	20.8	28.8	23.1	19.9	136.8
ATX (Austria, in EUR)	29.4	5.2	14.2	1.3	33.3	29.4	110.4
SMI (Switzerland, in CHF)	2.6	8.9	-2.0	9.7	16.0	2.6	38.7
S&P 500 (US, in USD)	19.3	12.0	-6.8	32.9	13.4	19.3	91.3
Nikkei (Japan, in JPY)	45.7	-13.4	18.4	41.6	-5.2	45.7	102.1
CSI 300 (China, in Yuan)	20.3	-13.5	-2.7	-9.6	15.5	20.3	3.0
BOND MARKET INDICES (TOTAL RETURN, IN %)							
US government bonds 10Y (in USD)	6.5	-1.3	-13.3	2.3	2.4	6.5	-4.3
German Bunds 10Y (in EUR)	3.1	-4.1	-18.0	6.0	-1.9	3.1	-15.7
EUR government bonds 1Y-10Y (iBOXX, in EUR)	3.1	-4.2	-16.0	6.7	0.4	3.1	-11.1
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	3.3	-5.0	-9.5	7.7	4.6	3.3	-0.2
BOND YIELDS (CHANGE IN BASIS POINTS = 0.01 PERCENTAGE POINTS)							
US government bonds 10Y (in USD)	-22	40	197	17	22	-22	250
German Bunds 10Y (in EUR)	2	49	248	-39	54	2	315
EUR government bonds 1Y-10Y (iBOXX, in EUR)	4	55	256	-45	37	4	307
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	12	115	274	-76	-19	12	310
EURO EXCHANGE RATES (CHANGE, IN %)							
US dollar (EUR-USD)	6.4	-7.6	-4.0	3.6	-0.3	6.4	-2.6
British pound (EUR-GBP)	2.9	-2.5	6.3	-4.1	-1.6	2.9	0.9
Swiss franc (EUR-SFR)	-5.7	-7.9	-2.8	-3.3	-0.2	-5.7	-18.8
Japanese yen (EUR-JPY)	14.2	-1.7	13.0	11.9	-0.5	14.2	42.1
COMMODITIES (CHANGE, IN %)							
Commodity Index (GSCI, in USD)	73.4	15.0	-8.2	18.5	33.3	73.4	193.3
Industrial metals (GSCI, in USD)	25.9	43.6	-25.6	-6.3	12.7	25.9	40.7
Gold (in USD per fine ounce)	75.0	16.6	-8.7	18.9	35.5	75.0	203.5
Crude oil (Brent, in USD per barrel)	29.8	65.4	-27.0	0.6	-14.7	29.8	34.3

Source: Refinitiv Datastream, The Investment Institute by UniCredit (as of 9 March 2026)
Note: Past values and forecasts are not a reliable indicator of future performance. Indices cannot be purchased and therefore do not include costs. When investing in securities, costs are incurred which reduce the performance. The return on investments in foreign currencies may also rise or fall as a result of currency fluctuations. So-called synthetic bonds are calculated to reflect the performance of government bonds in a fixed maturity range. In each case, the most "suitable" real federal bond at the relevant time is used as a reference for the yield opportunity of the synthetic bond. The development of the expected yield to maturity is shown under the following conditions: servicing of interest payments and redemption in accordance with the terms and conditions and holding until maturity. In this respect, it is a yield opportunity. The yield opportunities reflect the different risk assessments of the investors for the respective products or countries (higher yield opportunity=higher risk assessment). The synthetic bonds cannot be purchased and therefore do not include any costs. In the case of currencies and commodities, acquisition and/or custody costs incurred are not included.

UniCredit S.p.A.
The Investment Institute by UniCredit

Address
Piazza Gae Aulenti, 4, 20154 Milano

Email
the-investment-institute@unicredit.eu

Online
www.the-investment-institute.unicredit.eu

Legal Notices

Glossary

Terms used in the report are available on our website: https://www.the-investment-institute.unicredit.eu/en/glossary.

Marketing Communication

This publication/video constitutes a marketing communication of UniCredit S.p.A., UniCredit Bank Austria AG, Schoellerbank AG and UniCredit Bank GmbH (hereinafter jointly referred to as the "UniCredit Group") is addressed to the general public and is provided free of charge for information only. It does not constitute investment recommendation or consultancy activity by the UniCredit Group or, even less, an offer to the public of any kind nor an invitation to buy or sell securities. The information contained herein does not constitute an investment research or financial analysis since, in addition to the lack of content, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

UniCredit Group, including all its group companies may have a specific interest in relation to the issuers, financial instruments or transactions detailed herein. Relevant disclosures of interests and positions held by UniCredit Group are available at: https://www.the-investment-institute.unicredit.eu/en/conflictsofinterest-positiondisclosures. Any estimates and/or assessments contained in this publication represent the independent opinion of the UniCredit Group and, like all the information contained therein, are given in good faith on the basis of the data available at the date of publication, taken from reliable sources, but having a purely indicative value and subject to change at any time after publication, on the completeness, correctness and truthfulness of which the UniCredit Group makes no guarantees and assumes no responsibility. Interested parties must therefore carry out their own investment assessments in a completely autonomous and independent manner, relying exclusively on their own considerations of the market conditions and the information available overall, also in line with their risk profile and economic situation. Investment involves risk. Before any transaction in financial instruments please refer to the relevant offering documents. It should also be noted that:

1. Information relating to the past performance of a financial instrument, index or investment service is not indicative of future results.
2. If the investment is denominated in a currency other than the investor's currency, the value of the investment can fluctuate strongly according to changes in exchange rates and have an undesirable effect on the profitability of the investment.
3. Investments that offer high returns can undergo significant price fluctuations following any downgrading of creditworthiness. In the event of bankruptcy of the issuer, the investor may lose the entire capital.
4. High volatility investments can be subject to sudden and significant decreases in value, being able to generate significant losses at the time of sale up to the entire capital invested.
5. In the presence of extraordinary events, it may be difficult for the investor to sell or liquidate certain investments or obtain reliable information on their value.
6. If the information refers to a specific tax treatment, it should be noted that the tax treatment depends on the individual situation of the customer and may be subject to change in the future.
7. If the information refers to future results, it should be noted that they do not constitute a reliable indicator of these results.
8. Diversification does not guarantee a profit or protect against a loss.

E 25/1

Information and data contained in this document is updated as of 9 March 2026.